

Coin-in-the-slot-operated amusement devices and redemption machines are legal in Illinois when conducted in accordance with the provisions of the Coin-Operated Amusement Device and Redemption Machine Tax Act and all regulations promulgated thereunder. See, 35 ILCS 510/1 et seq. and corresponding regulations at 86 Ill. Adm. Code 460.101 et seq. (This is a GIL.)

February 2, 1999

Dear Mr. Xxxxxx:

This letter is in response to your letter dated December 21, 1998. The nature of your letter and the information you have provided require that we respond with a General Information Letter which is designed to provide general information, is not a statement of Department policy and is not binding on the Department. See 86 Ill. Adm. Code 1200.120(b) and (c), enclosed.

In your letter, you have stated and made inquiry as follows:

We wish to establish a business in the State of Illinois and wish to know if the following two types of competition or tournaments are considered legal in Illinois, or would they be considered as gambling and therefore not legal?

- 1) Is it legal in Illinois to conduct the following racing type tournament?

An example would be: Ten people pay \$5 each to enter a competitive racing competition where the participants use skill to race against each other using personal computers and playing typical motorcycle or auto racing pc games and all the players and pcs are connected to each other. The first place winner would be awarded 50% or \$25 and the business establishment would receive a profit of \$25. The entry fee would be payed by a redeemable chip or cash.

NOTE: This is a game of skill requiring hand and eye coordination as the player manipulates a joystick to control the racing vehicle.

- 2) Is it legal in the State of Illinois for a business establishment to have a personal computer where one person can play a pc game of shooting skill and be awarded 50% of the cash contents of what the pc holds in its bank, if the player successfully shoots 100% of all targets in the game? Payment to start the pc game would be by a chip or credit on a plastic card inserted into a slot on the pc machine.

NOTE: The player would use a shooting pistol connected to the computer and success would require accurate shooting skill.

Please respond as soon as possible. Thank you.

The Coin-Operated Amusement Device and Redemption Machine Tax Act ("the Act") applies to both coin-operated amusement devices and redemption machines. A coin-operated amusement device includes any "...device operated or operable by insertion of coins, tokens, chips or similar objects...which returns to the player thereof no money or property or right to receive money or property..." 35 ILCS 510/1.

A redemption machine is defined at Section 28-2(a)(4) of the Criminal Code of 1961 as:

"...a single-player or multi-player amusement device involving a game, the object of which is throwing, rolling, bowling, shooting, placing, or propelling a ball or other object into, upon, or against a hole or other target, provided that all of the following conditions are met:

- (A) The outcome of the game is predominantly determined by the skill of the player.
- (B) The award of the prize is based solely upon the player's achieving the object of the game or otherwise upon the player's score.
- (C) Only merchandise prizes are awarded.
- (D) The average wholesale value of prizes awarded in lieu of tickets or tokens for single play of the device does not exceed the lesser of \$5 or 7 times the cost charged for a single play of the device.
- (E) The redemption value of tickets, tokens, and other representations of value, which may be accumulated by players to redeem prizes of greater value, does not exceed the amount charged for a single play of the device." 720 ILCS 5/28-2(a)(4).

Coin-in-the-slot-operated amusement devices and redemption machines are legal in Illinois when conducted in accordance with the provisions of the Act and all regulations promulgated thereunder. See, 35 ILCS 510/1 et seq. and corresponding regulations at 86 Ill. Adm. Code 460.101 et seq. The Act imposes an annual privilege tax on the privilege of operating such machines.

Persons engaged in the operation of redemption machine games or coin-operated amusement devices are not in the business of selling tangible personal property at retail and do not incur Retailers' Occupation Tax liability on the gross receipts from the operation of those games. However, these games are treated for tax purposes similar to games of chance. See the enclosed copy of 86 Ill. Adm. Code 130.1975. Operators incur Use Tax on the purchase price of the tangible personal property that the operators provide as prizes for the games. Such operators may not provide Certificates of Resale when purchasing the

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tangible personal property that is to be provided as prizes. If the operators have not paid the Use Tax to Illinois suppliers, they must register and remit the tax to the Department of Revenue.

I hope this information is helpful. The Department of Revenue maintains a Web site which can be accessed at www.revenue.state.il.us. If you have further questions related to the Illinois sales tax laws, please contact the Department's Taxpayer Information Division at (217) 782-3336.

If you are not under audit and you wish to obtain a binding Private Letter Ruling regarding your factual situation, please submit all of the information set out in items 1 through 8 of the enclosed copy of Section 1200.110(b).

Very truly yours,

Melanie A. Jarvis
Associate Counsel

MAJ:msk
Enc.